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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

T-16

August 14, 1934

EZ-75210

THE TOBACCO PRICE SITUATION

Flue-cured Tobacco

Prices for flue-cured tobacco at auction warehouse markets, which opened for the 1934-35 season in Georgia on August 1 and in South Carolina on August 9, showed marked improvement over the prices prevailing a year ago and averaged higher than during any season since 1927. Prices on the Georgia markets (type 14) averaged 22.6 cents per pound compared with 13.2 cents during the opening week of last year, 10.2 cents in 1932, and 7.3 cents in 1931, according to state reports. Press statements indicate the opening prices on the South Carolina and Border Belt markets (type 13) were at about the same level as those in Georgia.

Total supplies of flue-cured tobacco in the United States at the opening of markets this year, estimated at 1,300,000,000 pounds, showed a reduction of 118,000,000 pounds or 8.5 percent below the supplies of a year earlier and were 9 percent below the 5-year average. Production was estimated as of August 1 at 527,000,000 pounds which is 210,000,000 pounds smaller than the 1933 crop and more than 100,000,000 below the world consumption of this tobacco. Stocks showed an increase during the year, as a result of the large crop of 1933, but this was more than offset by the reduction in the 1934 crop. More than 95 percent of the growers of flue-cured tobacco are reported to be under contracts with the Agricultural Adjustment Administration, which call for an aggregate reduction of nearly 30 percent from a base approximately equal to the last year's production. Weather conditions have been generally favorable and there has been only a moderate amount of drought damage, chiefly early in the season.

World consumption of flue-cured tobacco during the year ended June 30, 1934, showed little change from a year earlier. Domestic consumption increased nearly 5 percent during the year, chiefly because of the increase in the use for cigarettes, but foreign consumption declined slightly. About 30 percent of the total world consumption of flue-cured tobacco is used in cigarettes in the United States. Approximately 60 percent of the consumption is in foreign countries, chiefly in the form of cigarettes and smoking mixtures.

Exports during 1933-34 totaled 380,000,000 pounds (farm sales weight), which represents an increase of 22 percent over the exports of a year earlier and 14 percent over 2 years earlier, but is about 10 percent below the 5-year average. The quantity exported last year exceeded foreign consumption for the first time since 1930-31.

The 1934 flue-cured crop is being marketed without the aid of a marketing agreement. According to reports of the Agricultural Adjustment Administration, when the domestic buyers were invited to enter into a marketing agreement for this crop, as was done in the case of the 1933 crop, the buyers stated that, owing to the improved supply situation, they were confident "prices would average "above parity" without any such action being taken." Prices for the 1934-35 season were about 50 percent above parity.

